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HIGHER WATER TAX WILL BURDEN HIDROELECTRICA

Bucharest, 24 March 2021 – Fondul Proprietatea (“the Fund”) expresses its serious concern regarding the potential adverse impact on Hidroelectrica of the increased water tax the company should pay to the National Agency Apele Romane (“ANAR”), according to Law Project PL-x 97/2021 for the approval of Government Emergency Ordinance no. 225/2020 on amending certain normative acts and establishing measures in the field of agriculture.

Law Project PL-x 97/2021, currently debated in the Chamber of Deputies, proposes a flat tariff of RON 33/ MWh produced for the water tax owned to ANAR by hydroelectric power producers. This represents more than a 55% increase in the water tax burden for Hidroelectrica, given that the company paid an average water tax of around RON 21/ MWh produced in the last 5 years.

Commenting on these developments, **Johan Meyer, CEO of Franklin Templeton Bucharest and Portfolio Manager of Fondul Proprietatea**, said: “The Fund welcomes the introduction of a flat tariff linked to the electricity production, which is a transparent, technology neutral mechanism to determine water tax owned to ANAR and does not require Hidroelectrica to implement water metering technology. We are however deeply concerned by the proposed level of the tax, which generates arbitrary and unjustified additional costs for the company, as Hidroelectrica’s water tax will surge in an average hydrological year¹ from around Ron 350 million, to nearly RON 528 million. In our view this is an unnecessary and unreasonable increase, unfairly favouring another state owned institution, particularly since the water management services provided by ANAR has not improved and thus does not justify an increase of this tax. This represents a serious setback for Hidroelectrica’s profitability and sends a very negative message to investors in the Romanian energy sector. We therefore request the Chamber of Deputies to not approve the proposed water tax and to allow the further analysis of the appropriate level.”

It is important to note that the water contributions paid by Hidroelectrica in 2018 and 2019 accounted for 48,1% and 45,4% of ANAR’s current revenues and represented 74,2% and 55,7%², respectively, of the salary expenses paid by ANAR to its employees, considering that the salary expenses of this authority are constantly increasing.

It is also worth emphasising that in addition to the water tax, Hidroelectrica activity is further burdened by several legacy ongoing investments whose main purpose is the rational and safe management of water resources while the electricity generation component is relatively minor. Many of these legacy investments, providing essentially a public service, used to belong over the years to ANAR. In relation to these essentially

¹ The production in an average hydrological year was estimated at around 16TWh.

² Source: Fund’s calculations based on the audited financial statements of Hidroelectrica for 2018 and 2019 and the revenues and expenditures financials of ANAR for 2018 and 2019

public investments as of end 2019, Hidroelectrica had to recognise negative value adjustments for a total value of over RON 3.2 bn.

Fondul Proprietatea raises awareness on the major risks for Hidroelectrica, its employees and the Romanian state, should the water legislation framework remain unchanged:

- Negative impact on the company value and profitability, along with worsening investors' perception of the company's risk and country risk in general;
- Higher production costs for Romania's largest electricity producer Reduced access to financing due to a decrease in profitability and a lack of trust generated by the arbitrary increase in certain prices/costs;
- Negative impact on dividends and taxes paid by the company to Romanian State;
- Potential Increase in electricity prices in Romania;
- Negative impact on Romania's objectives regarding green energy targets as 100% of Hidroelectrica's output is from renewable sources.

Fondul Proprietatea calls the members of the Chamber of Deputies to take into account all these considerations and to not approve in the plenum the proposed water tax and resubmit the law project to the Agriculture Commission of the Chamber of Deputies for a detailed analysis of the contribution level imposed on hydro producers.

- ENDS -

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Notes to Editors

1. About Fondul Proprietatea

Launched in December 2005, Fondul Proprietatea was established to compensate Romanians whose properties were confiscated by the former communist government. Following an international tender announced in December 2008, Franklin Templeton Investments was officially appointed as investment manager and sole administrator of the Fund on 29 September 2010.

The Fund is an alternative investment fund and its investment objective is the maximization of returns and per-share capital appreciation via investments mainly in Romanian equities and equity-linked securities. The Fund listed on the Bucharest Stock Exchange on 25 January 2011 and on the Specialist Fund Market of the London Stock Exchange by means of global depositary receipts ("GDRs") on 29 April 2015.

The headquarters of Fondul Proprietatea SA are at 78-80 Buzesti Street, 7th Floor, Bucharest District 1, 011017, Romania. For more information on Fondul Proprietatea, please visit <http://www.fondulproprietatea.ro>.

2. About Franklin Templeton Investments

Franklin Resources, Inc. [NYSE:BEN] is a global investment management organization with subsidiaries operating as Franklin Templeton and serving clients in over 165 countries. Franklin Templeton's mission is to help clients achieve better outcomes through investment management expertise, wealth management and technology solutions. Through its specialist investment managers, the company brings extensive capabilities in equity, fixed income, multi-asset solutions and alternatives. With offices in more than 30 countries and approximately 1,300 investment professionals, the California-based company has over 70 years of investment experience and approximately 1.5 trillion in assets under management as of 31 December 2020. For more information, please visit www.franklintempleton.ro.

Franklin Templeton established an office in Bucharest in May 2010, with a team of 32 employees, including 6 locally based investment professionals who are further supported by the over 40 portfolio managers and analysts of the wider Templeton Emerging Markets team.

Starting with 1 April 2016, in view of complying with the EU Directive 2011/61 on alternative investment fund managers, the Fund is managed by Franklin Templeton Investment Services S.À R.L. ("FTIS/ Fund Manager"), a société à responsabilité limitée qualifying as an alternative investment fund manager under Article 5 of the Luxembourg Law of 12 July 2013 on alternative investment fund managers, authorized by the Commission de Surveillance du Secteur Financier under no. A00000154/21 November 2013, whose registered office is located at 8A rue Albert Borschette, L-1246 Luxembourg, registered with the Luxembourg Register of Commerce and Companies under number B 36.979.

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